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CENTRAL INTELLIGENCE AGENCY REPORT NO.

INFORMATION REPORT

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COUNTRY China

DATE DISTR. 2 February 1949

SUBJECT Chinese Nationalists' Prospective Withdrawal from
Tsingtao
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1. At the end of January Chinese business circles in Tsingtao were convinced that General LIU An-chi would withdraw with his troops to Foochow within a week's time. The reasons ascribed for his withdrawal were:
 - a. Chinese Communist statements that the Tsingtao military forces would be held accountable for the bombing of Tsinan on 12 January by Nationalist planes based at Tsingtao, and for the use of Tsingtao air base by Civil Air Transport (CAT) and Chinese Air Force planes making air drops of food and supplies to Taiyuan.
 - b. The fact that Admiral Badger had made no definite commitment that the United States Navy would remain in the Tsingtao vicinity.
2. On 28 January the Chinese vessel PEI-MING arrived at Tsingtao from Shanghai, loaded with military supplies. The vessel returned to Shanghai without discharging. The Chinese vessel KINGHSING and another which arrived recently in Tsingtao have been commandeered by the military, and the families of Chinese officers are said to be boarding the ships. All civilian bookings were canceled.
3. The officials of government banks and monopolies viewed the prospective withdrawal of the military forces with alarm. The mayor was reported to be planning to turn over his office to a leftist subordinate and leave Tsingtao. Bank officials were intending to take the mayor's departure as a cue for their own withdrawal and believed that the semi-officials (sic) in the business monopolies would do likewise. The police commissioner resigned and was said to be going to Nanking to make a report on the Tsingtao situation. Y. C. HSIA of the Foreign Affairs Bureau left for Shanghai on 26 January.
4. The various rumors and the gradual withdrawal of United States installations produced a rapid inflation of the gold yuan (GY). On 30 January the rate per US dollar was GY \$360; on 31 January it was over GY \$500.

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